CARSON CITY CONSOLIDATED MUNICIPALITY
NOTICE OF MEETING OF THE
CARSON CITY AUDIT COMMITTEE

Day: Tuesday
Date: February 12, 2013
Time: Beginning at 3:00 p.m.
Location: Community Center, Sierra Room
851 East William Street
Carson City, Nevada

Agenda

1. Call to Order

2. Roll Call

3. Public Comments and Discussion:
The public is invited at this time to comment on and discuss any topic that is relevant to, or within the authority of, the Carson City Audit Committee. In order for members of the public to participate in the Committee's consideration of an agenda item, the Committee strongly encourages members of the public to comment on an agenda item during the item itself. No action may be taken on a matter raised under public comment unless the item has been specifically included on the agenda as an item upon which action may be taken.

4. For Possible Action: Approval of Minutes - November 20, 2012

5. For Possible Action: Adoption of Agenda

6. For Possible Action: To identify, discuss, and provide recommendations to the Board of Supervisors on additional projects to be performed by the Internal Auditor for the period ending June 30, 2013. Potential topics include, but are not limited to, performance measures, internal controls, and the second phase of the fraud, waste, and abuse project.

7. For Possible Action: To schedule the next meeting of the Carson City Audit Committee.

8. Public Comment - The public is invited at this time to comment on any matter that is not specifically included on the agenda as an action item. No action may be taken on a matter raised under this item of the agenda.

9. For Possible Action: To Adjourn

Agenda Management Notice - Items on the agenda may be taken out of order; the public body may combine two or more agenda items for consideration; and the public body may remove an item from the agenda or delay discussion relating to an item on the agenda at any time.

Titles of agenda items are intended to identify specific matters. If you desire detailed information concerning any subject matter itemized within this agenda, you are encouraged to call the responsible agency or the City Manager's Office. You are encouraged to attend this meeting and participate by commenting on any agendized item.

Notice to persons with disabilities: Members of the public who are disabled and require special assistance or accommodations at the meeting are requested to notify the City Manager's Office in writing at 201 North Carson Street, Carson City, NV, 89701, or by calling (775)887-2100 at least 24 hours in advance.

This meeting can be viewed on Channel 226. For specific dates and times - www.bactv.org.

This agenda and backup information are available on the City's website at
www.carson.org

This notice has been posted at the following locations:
Community Center 851 East William Street
Public Safety Complex 885 East Musser Street
City Hall 201 North Carson Street
Carson City Library 900 North Roop Street
Business Resource & Innovation Center (BRIC) 108 East Proctor Street

Date: February 6, 2013

A regular meeting of the Carson City Audit Committee was scheduled for 3:00 p.m. on Tuesday, November 20, 2012 in the Community Center Sierra Room, 851 East William Street, Carson City, Nevada.

PRESENT: Chairperson Michael Bertrand
Vice Chairperson William Prowse
Member Kenneth Brown
Member John McKenna
Member Robert Parvin

STAFF: Nickolas Providenti, Finance Department Director
Sheri Russell, Accounting Manager
Randal Munn, Chief Deputy District Attorney
Kathleen King, Deputy Clerk / Recording Secretary

NOTE: A recording of these proceedings, the committee's agenda materials, and any written comments or documentation provided to the recording secretary during the meeting are part of the public record. These materials are available for review, in the Clerk's Office, during regular business hours.

1 - 2. CALL TO ORDER AND ROLL CALL (3:00:12) - Chairperson Bertrand called the meeting to order at 3:00 p.m. Roll was called; a quorum was present.

3. PUBLIC COMMENTS AND DISCUSSION (3:00:32) - Chairperson Bertrand entertained public comments; however, none were forthcoming.

4. POSSIBLE ACTION ON APPROVAL OF MINUTES - October 10, 2012 (3:01:16) - Vice Chairperson Prowse moved to approve the minutes. Member Brown seconded the motion. Motion carried 5-0.

5. POSSIBLE ACTION TO ADOPT THE AGENDA (3:01:45) - Chairperson Bertrand entertained a motion to adopt the agenda. **Member Brown so moved. Vice Chairperson Prowse seconded the motion. Motion carried 5-0.**

6. PRESENTATION, DISCUSSION, AND POSSIBLE ACTION TO ACCEPT THE DRAFT AUDIT RESULTS PREPARED BY KAFOURY, ARMSTRONG & CO. FOR THE YEAR ENDING JUNE 30, 2012 (3:02:08) - Chairperson Bertrand introduced and provided an overview of this item. (3:02:37) Kafoury, Armstrong & Co. Engagement Shareholder Kristen Burgess introduced Project Manager Dan Carter and emphasized that the audit was in draft form. (3:03:07) Mr. Carter reviewed the audit process and the associated timeline. He advised that the field work is complete and the financial statements are in the process of being reviewed. The draft audit will then be forwarded to Ms. Burgess and the quality control reviewer with a November 30, 2012 deadline. Mr. Carter advised of no real issues during the audit process, and that Finance Department staff was very, very helpful.

Ms. Burgess provided background information on the audit of five major federal award programs, and advised of having identified a finding that will be represented in the comprehensive annual financial report. She provided specific information on the finding in connection with the audit of the Southern Nevada Public Lands Management Act grant. She advised that Finance Department staff is working on a response in connection with the finding.

Mr. Providenti read into the record the language of the corrective action letter. He explained that "the one problem was that we didn't prepare the report but, once we prepared the report, there was some discrepancy as to how to prepare the report and what the Parks folks did was actually call somebody from BLM and kind of took her word on how to prepare the report and, apparently, it was contradictory to what the instructions were. So, basically, what we'll do in the future is have those reports in writing, ... either via memo or via an e-mail to make sure that, if they're contradictory, we at least have that person's knowledge ..."

In response to a question, Parks and Recreation Department Director Roger Moellendorf advised that this was the first year of the Southern Nevada Public Lands Management Act grant. In response to a further question, Open Space Property Manager Juan Guzman estimated the amount of the grant at $672,000. In response to a further question, Ms. Burgess advised that "the land purchase was reflected on the report but some additional costs in obtaining the land and some additional information had not been included." Mr. Moellendorf acknowledged that the difference was approximately $46,000. Mr. Providenti clarified that those figures were recorded on the next quarter's report. Ms. Burgess characterized the oversight as a "timing issue." In response to a further question, Mr. Moellendorf advised that the BLM is likely unaware of the situation. He advised of the intent to discuss the matter with the BLM representative once the person returns from holiday travel.

Ms. Burgess advised of anticipating two budget reporting items in connection with expenditures in excess of appropriations. The first is in connection with the fleet management internal service fund, $127,500 over budget; and the other is in connection with storm water drainage in the amount of $57,000. Ms. Burgess clarified that her review is not yet complete and that she did not have any additional information.

Mr. Carter advised that next year "will be a big year for new standards," and he reviewed four significant new Government Accounting Standards Board ("GASB") standards. He responded to questions of clarification with regard to the same. In response to a further question, he advised of no significant deficiencies or material weaknesses in the internal control process. In response to a question, Mr. Providenti advised that the availability of federal funding will determine the amount to be applied for. He assured the committee that City staff applies for as much federal funding as possible. Chairperson Bertrand thanked Mr. Carter and Ms. Burgess for their presentations.

Chairperson Bertrand entertained public comment; however, none was forthcoming. Mr. Munn provided direction with regard to the committee's action. **Member Parvin moved to accept the oral report by Kafoury, Armstrong & Co. Vice Chairperson Prowse seconded the motion. Motion carried 5-0.**

7. PRESENTATION, DISCUSSION, AND POSSIBLE ACTION TO ACCEPT THE PUBLIC DEFENDER COST AND UTILIZATION STUDY PREPARED BY MOSS-ADAMS, LLP (3:19:10) - Chairperson Bertrand introduced this item. Mark Steranka, of Moss-Adams, LLP, provided an overview of and background information on this item. He presented the draft cost and utilization study, which was included in the agenda materials, in conjunction with displayed slides. He responded to questions of clarification at various points throughout the presentation.

In response to a question, Mr. Steranka estimated a savings of $100,000 to $370,000 "depending on ... the decision ... on the number of attorneys." He clarified "that range narrows depending on the level of resource to that." He expressed the opinion that six to seven attorneys are legitimate. "There are certainly trade offs. There are economic trade offs versus overall resource level trade offs." In response to a further question, Mr. Steranka explained that "under the current model, the courts contract with three conflict

attorneys." He assumed that "under a contracted model, the courts would contract with six or seven contract attorneys. So the administration is comparable. There are going to be more parties involved which ... would be legitimate to say would increase administrative effort." Mr. Steranka suggested that corresponding increases to administrative costs would "depend [on] whether you'd need more people to do it. ... there would certainly be more administrative effort associated with that just by the mere fact that you have more resources you're contracting with." Mr. Steranka acknowledged the understanding that, under the current model, the costs of any appeal to the Nevada Supreme Court are covered by the Nevada State Public Defender's Office. He further acknowledged that "this is just strictly taking what's happening today and applying what we paid for it and what we could have paid for it, possibly, by doing it a different way." He further acknowledged other variables which would be subject to speculation relative to impact. He agreed that it would be "just as easy to speculate that we could save $400,000 or we could end up paying $40 million, depending upon ... the roll of the dice in the future. But, if we went with the public defender's office and the model stayed the same, which is a big assumption, we wouldn't have that upside risk."

(4:02:15) Nevada State Public Defender ("NSPD") Diane Crow introduced herself, for the record, and referred to the materials which were provided to the committee members and staff prior to the start of the meeting. In response to a question, she was uncertain as to the number of appeals over the past five years or the associated costs. She offered to research the information and provide it at a later date.

In response to a question, Mr. Steranka advised of the intent "to update the draft to reflect some of the information provided by the NSPD's Office and ... the courts ... Relative to a regional model, all-state model," Mr. Steranka respectfully noted, "that's not part of our scope. If the City wanted to look at it, we could certainly help, ... but those aren't ... within your current ability to do ..."

Based on the presentation, Chairperson Bertrand noted a trend "of counties moving toward either a contract model or doing it themselves." In response to a question, Ms. Crow advised that Pershing and Humboldt Counties "opted out ... four years ago and Pershing County contacted [the NSPD] two years ago for a bid and that's when Carson City was on the edge of not knowing what to do. Ultimately, [the NSPD] could not provide ... a bid amount because [she] didn't know if Carson City was going to be in or out ... So, they stayed with their county public defender. Shortly thereafter, the District Attorney filed a murder case. The county public defender went to the county commissioners and said, 'I'm not qualified to do this. I can't handle this case by myself.' They had to hire an attorney out of Reno at $100 an hour to travel back and forth and hold his hand. So, yes, there have been regrets." Ms. Crow pointed out that she has "been the NSPD for 23 years. And every time a county has pulled out, it's mostly based on political reasons."

Member Parvin acknowledged the costs presented, but was uncertain as to "what the problem was in the first place." He expressed appreciation for the five-year summary, but a preference to have known the number of cases processed and the number handled by the contract attorneys. Mr. Steranka explained the reluctance to consider cases "because there are so many different types ...; they're so varied in nature and really ... getting caught in trying to make judgments relative to cases. ... we're at a disadvantage in that we don't have full information from the conflict attorneys on what all they have handled so we don't have a complete and accurate picture of the whole mix." In response to a further question, Mr. Steranka reiterated that the auditors were not able to get the information from either the courts or from the conflict attorneys. Ms. Crow explained that the NSPD does not forward cases to the conflict attorneys; the courts do. "The process is, the court will appoint the State Public Defender. When we get enough information in the police reports or as to witnesses, victims, and that sort of thing, if any of those witnesses / victims are clients of the State Public Defender, then we have a conflict and we send a motion to the court saying this is why we

can't represent this current defendant and then the court will appoint it to the conflict attorneys, the three as a group, and one of the secretaries, then, just rotationally passes out the cases, is my understanding." In response to a further question, Ms. Crow expressed the understanding that "when we looked at this back in 2007, the court actually did a calculation and the court calculated, then, that the State Public Defender handled 85 percent of the cases and the three conflict attorneys handled five percent each for the other 15 percent." Ms. Crow was uncertain as to whether the ratio has changed over the last five years.

In response to a previous question, Colleen Rozillis, of Moss-Adams, LLP, advised that 1205 hours were spent on state appeals in the last year, done by two attorneys in the NSPD's office. In response to a question, Ms. Crow explained that cases handled by the District Attorney's Office could not be compared to cases handled by the NSPD. She explained that "the ... District Attorney's Office has control over what they charge and how they charge it. We get what we get. We're caught in the middle between the District Attorney's Office and our client. We have a duty to our client to advocate zealously for what they want to see happen which is, most of the time, not terribly realistic but we work between the two. The District Attorney's Office has the power to either negotiate a case or not negotiate a case and the increase in hours that we've seen has been because there's been less negotiation. The City can foresee increased trial costs because we're not going to recommend to our client that they plead guilty to a crime if there's no benefit in pleading guilty, whereas they can take it to a jury trial. They may win, they may lose, but then they still have the appeal process if there's any mistakes made. The ... prosecutor, the DA's Office, has a list of elements in each crime ... that they have to prove. It's just rote ... We have to use a little creativity to figure out why there's a defense to this case. There may be, there may not be, but we have to go out and do the investigation. I have two full-time investigators for Carson City and Storey County. The Storey County investigation is ... minimal at best. ... And their time is calculated in the cost that you see in the report. It's not just the attorney hours. The District Attorney's Office has an in-house investigator. They also have a hundred-plus-man Sheriff's Office that goes out and does the original reports and can follow up on all the other reports. So, our time ... that we have to spend on a case is pretty much determined by the District Attorney's Office and, with a lack of negotiation ongoing, the hours go up." In reference to the materials provided by the NSPD's Office, Ms. Crow pointed out that "you can see that the cost per hour has gone down while the hours have gone up to Carson City."

(4:16:59) Deputy District Attorney Mark Krueger thanked the Moss-Adams, LLP representatives and the committee for conducting the audit. He emphasized the importance of everyone understanding that "this is about providing the best indigent defense at the most reasonable cost to the City." Mr. Krueger commended Mr. Steranka's objectivity and recognition that "there are other factors ... that make it difficult because of the subjective nature of some of the underlying issues." In consideration of the questions asked, Mr. Krueger noted that the "scales of justice are always offset ... because the State has a higher burden of proof to prove its case beyond a reasonable doubt. And those words, 'beyond a reasonable doubt,' ... take on a huge burden. ... long before anybody at the Public Defender's Office, any defense counsel, long before anybody even knows, we have to make that initial determination: is this a case that we can prove? And that's our general policy; charge what you can prove, make them plead to the top count. So if you're trying to charge what you can prove and it's proved beyond a reasonable doubt, you're going to put a lot of work up front. We're going to make a good, clean charge, make a reasonable negotiated offer, and if it has to go to trial, we'll go to trial. Then, throughout the course of the trial, we provide all the evidence ... to the defense. ... After that, there is an appellate process. We touched on this appeal issue and the cost. Remember that the Public Defender's Office has two appellate deputies inside. Other counties and this City could contract with a private contract attorney to include appellate costs. But, at the end of the day, when all the appeals are exhausted, there's one little appeal that happens and it's a writ of ineffective assistance of counsel. ... The defense counsel, whoever it is, whether it's a private contract attorney, whether it's the

Public Defender's Office, they don't ... have to sit on that because they're the ones being accused of being ineffective. So that means the court appoints yet another attorney. But the State continues to handle those ineffective assistance counsel cases which means we have additional work at the end. So, we've got to work up front, we've got the same amount of work during the course of this trial, and then we have additional work at the end. Yet, we have the same amount of attorneys to handle all of this in addition to the appeals."

Mr. Krueger advised of having come from Lyon County "where they do have one of these contracts in place and it works very efficiently and there aren't any complaints out there. In fact, with such a geographically dispersed county, it actually has assisted the ... county as a whole." He further advised that "in Lyon County, with those three contract attorneys, we did more jury trials than Carson City did in the last five years. So to say that ... those people can't cover those costs ... in that contract amount just is not right." Mr. Krueger advised that "the first option or the third option are both potential cost savings. And that's what's important ... the cost savings with legitimate indigent defense." He further advised that any licensed attorney is "*per se* qualified to be a defense counsel." He acknowledged the subjectivity associated with the word "qualified," and clarified that capital murder cases require a special qualification under the Nevada Supreme Court rules. In response to a question, he advised that the Carson City District Attorney's Office has lost full-time employees "in nearly every budget" over the last five years. He was uncertain as to whether the loss represented attorneys or support staff, and offered to research the matter. He advised that he is in the process of updating the District Attorney's Office case management software. "When we get [the software upgraded] ... we should have the ability to pull some of the data ... out of the system." Mr. Krueger further advised that the District Attorney's Office is "making changes to the way that we have been processing cases in Carson City and, by making those changes, we should actually see increased efficiency, both at the District Attorney's Office, at the courts, and through any defense counsel."

In response to a question, Mr. Steranka reviewed the costs associated with the NSPD services, at page 6 of the draft report. In response to a further question, Ms. Crow reviewed the costs, reflected at page four of her report. In response to Mr. Krueger's presentation, she advised that the NSPD's Office receives a number of "phone calls ... from disgruntled defendants in Lyon County. ... [She] has also received calls from the district court judges in Lyon County that they are not happy with the service that they have out there. But then, commissioners look at bottom line costs, not necessarily quality, and [she] asked Carson City to definitely look at quality."

Chairperson Bertrand entertained public comment and, when none was forthcoming, a motion. In response to a question, Mr. Steranka reiterated that the report included in the agenda materials had yet to be finalized. He further reiterated the intent to incorporate some of the NSPD's information, and suggested the committee take action "with the understanding as to how the report would be amended which is the recommendations are going to be the same. There is just going to be a broader range of potential cost savings reflecting both 6 and 7, which it does today, but both the budgeted and the refunded amounts plus some slightly higher expenses which makes the cost savings lower, which is reflected here. So, same report with just some additional data." Vice Chairperson Prowse noted that Ms. Crow had offered to provide information relative to appeals. Mr. Steranka acknowledged that this information could be incorporated as well.

In response to a question, Mr. Munn provided direction with regard to the committee's possible action and a brief discussion followed. Chairperson Bertrand again entertained a motion. **Vice Chairperson Prowse moved to accept the draft report Public Defender Cost and Utilization Study, with the inclusion of the items discussed during this meeting, with the understanding that the report's recommendations**

will remain the same, to be passed on to the Board of Supervisors with the approval by the audit committee. Member Brown seconded the motion. Chairperson Bertrand entertained discussion. Member Parvin expressed the opinion that "some of the recommendations ... would be very fine in terms of ... negotiat[ing] with the State for better prices, but when you change the data, the recommendations may not be the same and ... we're going too far in deciding the answer before we have the question." A brief discussion followed, and Chairperson Bertrand called for a vote on the pending motion. **Motion carried 3-2.**

8. PRESENTATION, DISCUSSION, AND POSSIBLE ACTION TO ACCEPT THE COMMUNITY FACILITY COST RECOVERY STUDY PREPARED BY MOSS-ADAMS, LLP (4:34:02) - Chairperson Bertrand introduced this item, and Colleen Rozillis, of Moss-Adams, LLP, reviewed the draft report included in the agenda materials in conjunction with displayed slides. Chairperson Bertrand suggested that the recommended increase in aquatic facility fees should be imposed on the swim clubs "since they're pulling that out of general public use ..." Ms. Rozillis advised that one swim team rents the aquatic facility for ten hours per week at a cost of $900 per month. Parks and Recreation Department Director Roger Moellendorf responded to questions of clarification regarding the aquatic facility hours and uses. He advised of having discussed with Ms. Rozillis the concept of developing a mission statement for each of the community facilities. "... you have to ... go back and look at ... the context of how these facilities were developed and when they were developed. Back in 1996 when the City passed a ballot initiative for the Question #18 quality of life funding, that was really supported by a varied group of interests ... within the community and one of the strong interest groups was a competitive swimming group in the community and that's why we have largely a lap and competitive pool that we have today instead of a leisure pool because the need, at that time, and the support really came from the competitive swimming community. And so now, here we are twenty ... thirty years later and trying to put a square peg in a round hole and trying to make the pool more attractive to the general population of the community as a whole and that's a very difficult endeavor ..." Discussion followed.

Vice Chairperson Prowse commended the "useful ideas" included in the report. In response to a question, Mr. Moellendorf advised that data on the use of the aquatic facility and the community center is being tracked. Vice Chairperson Prowse expressed support for strategic planning "and identifying missions." Ms. Rozillis reviewed the concept of a cost-recovery pyramid often used for parks and recreation facilities.

Chairperson Bertrand entertained public comment and, when none was forthcoming, a motion. **Member McKenna moved to accept the community facility cost recovery study and forward it to the Parks and Recreation Commission. Member Parvin seconded the motion. Motion carried 5-0.** In response to a question, Member McKenna explained the reason for taking action to forward the study to the Parks and Recreation Commission. Mr. Moellendorf explained the advisory nature of the Parks and Recreation Commission to the Board of Supervisors.

9. DISCUSSION AND POSSIBLE ACTION TO RECOMMEND TO THE BOARD OF SUPERVISORS THAT THE CONTRACT FOR MOSS-ADAMS, LLP BE AMENDED TO PROVIDE INTERNAL AUDIT SERVICES TO CARSON CITY, THROUGH JUNE 30, 2014 (4:56:31) - Chairperson Bertrand introduced this item, and reviewed the agenda report. Mr. Steranka reviewed the budget summary included in the agenda materials, and discussion followed. In response to a question, he requested the committee members to consider renewing the contract. He reminded the committee members of previously-discussed audit project possibilities, including the fleet management efficiency study and a shared services feasibility study. In addition, a Question #18 audit was considered as well as development of a fraud, waste, and abuse program and a disaster preparedness program. Mr.

Steranka discussed the possible involvement of Moss-Adams, LLP in the previously-listed audit projects and programs.

Chairperson Bertrand suggested considering the contract over the next six months to the end of the fiscal year. In response to a question, Mr. Steranka explained the responsibilities associated with fleet management. In response to a further question, Mr. Providenti suggested that the fleet management study should include general government and the Public Works Department, not the JAC Transit System. Member McKenna suggested including the JAC Transit System. Mr. Steranka explained that Moss-Adams, LLP subcontracts with a fleet consultant, who he anticipates would be willing to conduct a cursory review of the JAC Transit System relative to activities, resources, and capital assets. A determination could subsequently be made with regard to a more detailed analysis. Mr. Providenti suggested that a legal opinion may be necessary to determine the Audit Committee's purview relative to the Regional Transportation Commission and the JAC Transit System. Vice Chairperson Prowse expressed support for including the JAC Transit System in the fleet management study. Mr. Steranka clarified the parameters of the fleet management study.

Chairperson Bertrand entertained public comment and, when none was forthcoming, a motion. Member McKenna moved to continue the contract to June 30, 2013 and to recommend to the Board of Supervisors that they extend the contract for FY 2013 / 2014. Motion died for lack of a second. Chairperson Bertrand entertained a motion. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors the extension of the Moss-Adams contract through June 30, 2013. Member Brown seconded the motion. Motion carried 5-0.**

10. DISCUSSION AND POSSIBLE ACTION TO CONSIDER RECOMMENDATIONS FOR POSSIBLE INTERNAL AUDITS AND MAKE A RECOMMENDATION TO THE BOARD OF SUPERVISORS FOR CONSIDERATION (5:13:46) - Chairperson Bertrand introduced this item and, in response to a question, Mr. Steranka estimated phase one at a not-to-exceed cost of $10,000. Discussion took place regarding the shared services feasibility analysis. Chairperson Bertrand entertained additional suggestions and, when none were forthcoming, public comment. When no public comment was forthcoming, he entertained a motion. **Vice Chairperson Prowse moved to recommend to the Board of Supervisors approval of a recommendation from Moss-Adams to perform phase 1 of the fraud, waste, and abuse program development review and the fleet management efficiency study, including the rural transportation vehicles. Member Brown seconded the motion. Motion carried 5-0.**

11. POSSIBLE ACTION TO SCHEDULE NEXT CARSON CITY AUDIT COMMITTEE MEETING (5:19:23) - In response to a question, Mr. Steranka advised of the presentation scheduled for the December 20th Board of Supervisors meeting "specifically for the purpose of the contract and projects recommendations ... Then we would come back in January and present the three reports ..." Following discussion, consensus of the committee was to schedule the next committee meeting for the second Tuesday in February.

12. PUBLIC COMMENT (5:21:32) - Chairperson Bertrand entertained public comment; however, none was forthcoming.

13. ACTION TO ADJOURN (5:21:48) - Vice Chairperson Prowse moved to adjourn the meeting at 5:21 p.m. Member Brown seconded the motion. Motion carried 5-0.

The Minutes of the November 20, 2012 Carson City Audit Committee meeting are so approved this _____ day of February, 2013.

_____
MICHAEL BERTRAND, Chair

Carson City Audit Committee
Agenda Report

Date Submitted: February 6, 2013 **Agenda Date Requested:** February 12, 2013

To: Chair and Members

From: Michael Bertrand, Chairman

Subject Title: For Possible Action: Discussion and possible action to identify, discuss, and provide recommendations to the Board of Supervisors on additional projects to be performed by the Internal Auditor for the period ending June 30, 2013.

Summary: Additional items have been identified as potential internal audits including, but not limited to performance measures, internal controls and the second phase of the fraud, waste, and abuse project.

Type of Action Requested: (check one)

( ) Resolution ( ) Ordinance
(X) Formal Action/Motion ( ) Other (Specify)

Does This Action Require A Business Impact Statement: ( ) Yes (X) No

Recommended Committee Action: Will depend on discussion and possible recommendations.

Explanation for Recommended Committee Action: See Staff Summary

Applicable Statute, Code, Policy, Rule or Regulation:

Fiscal Impact: Will depend on the motion.

Explanation of Impact: Will depend on the motion

Funding Source: Internal Audit budget

Alternatives: N/A

Supporting Material: Memo from Moss-Adams

Prepared By: Michael Bertrand

Reviewed By: _____ Date: 2/6/13
(Finance Director)

Board Action Taken:

Motion: _____

	Member	Aye/Nay
1)	_____	_____
2)	_____	_____
3)	_____	_____
4)	_____	_____
5)	_____	_____

_____
(Vote Recorded By)

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Date:	February 5, 2013
To:	Carson City Audit Committee
From:	Tom Krippaehne, Mark Steranka
Subject:	Internal Audit Program Recommendations

Listed below are projects identified through the risk assessment or subsequent discussions to reduce risks, strengthen internal controls, and improve performance economy, efficiency, and/or effectiveness.

1. FRAUD, WASTE, AND ABUSE PROGRAM DEVELOPMENT	
A. AUDIT OBJECTIVE	• Develop policies and procedures for establishing a fraud, waste, and abuse program
B. SCOPE	Phase I: • Interview key stakeholders • Understand current processes for handling reported instances of fraud, waste, and abuse (FWA) • Identify applicable FWA laws, rules, and regulations • Assess City's ability to management a FWA program • Draft FWA charter, policies, and procedures, leveraging the report on "Managing the Business Risk of Fraud: A Practical Guide" sponsored by the AICPA, IIA, and ACFE Phase II: • Define FWA resourcing strategy • Identify options for an anonymous reporting mechanism • Establish reporting standards – law enforcement, insurance, district attorney, etc. • Provide recommendations for FWA program implementation • Define FWA prevention and detection training program needs
C. SCHEDULE	• 12-16 weeks
D. EXPECTED PRODUCTS	• Draft FWA charter, policies, and procedures • FWA program implementation recommendations • FWA prevention and detection training program design
E. COST	• $10,000, plus expenses for Phase I • $10,000, plus expenses for Phase II

Praxity
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GLOBAL ALLIANCE OF INDEPENDENT FIRMS

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2. FLEET MANAGEMENT EFFICIENCY STUDY	
A. AUDIT OBJECTIVE	• Determine whether the fleet management group could operate more efficiently
B. SCOPE	• Conduct interviews with key personnel • Obtain and review fleet replacement schedule, maintenance budget and expenditures, workload, etc. • Research and benchmark City against best practices, including fleet composition, maintenance management practices, organization structure and functions • Evaluate alternatives, including estimated cost savings • Provide recommendations
C. SCHEDULE	• 10-12 weeks
D. EXPECTED PRODUCTS	• Fleet management service delivery alternatives • Recommendations
E. COST	• $25,000, plus expenses

3. PERFORMANCE MEASURES PROGRAM	
A. AUDIT OBJECTIVE	• Identify opportunities to strengthen linkages between performance measures and financial reporting
B. SCOPE	• Review guidance provided by GASB Concept 5, Service Efficiency and Accomplishments (SEA) Reporting • Review current City performance measures program • Select one department/division to participate in a pilot study • Evaluate the performance measures utilized by the selected department or division • Compare those measures for consistency with service effort, service accomplishment, and service productivity ,measures outlined by GASB Concept 5 • Prepare findings and recommendations
C. SCHEDULE	• 12-16 weeks
D. EXPECTED PRODUCTS	• Citywide SEA program implementation recommendations • Department/Division recommended SEA measures
E. COST	• $20,000, plus expenses

MOSS-ADAMS LLP

4. INTERNAL CONTROL REVIEW	
A. AUDIT OBJECTIVE	• Begin strengthening internal controls, by testing cash handling throughout the City
B. SCOPE	• Identify points of cash handling throughout the City • Document internal controls for each situation • Test internal controls for each situation • Prepare findings and recommendations
C. SCHEDULE	• 12-16 weeks
D. EXPECTED PRODUCTS	• Cash handling internal control recommendations
E. COST	• $20,000, plus expenses